

# Budget Highlights 2016

## Key Highlights

### Direct Taxes

### Indirect Taxes

**For any information / assistance**

**B S Sridhar & Co., Chartered Accountants**

Contact Name: CA B S Sridhar

Pace Prana, Block 2, 3rd Floor, Flat # T7, South Park Road, Anna Nagar West,

Chennai 600040 | 044 45540180 | sridharca@gmail.com

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## 1. Key Highlights - Direct

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### 1.1. Tax Rates / Deductions and Surcharge

- No change in Income tax rates.
- Domestic companies with 5 crores or less turnover to pay tax @ 29%
- Surcharge increased from 12% to 15% for Individual, Hindu undivided family, association of persons, body of individuals, artificial juridical person having income exceeding Rs. 1 crore.
- Tax Rebate available u/s. 87A is increased from Rs. 2,000 to Rs. 5,000
- STT on sale of an option in securities is proposed to be increased from 0.017% to 0.05% in certain cases
- Additional income tax to be levied for charitable institutions which are converted to non-charity
- Additional deduction upto Rs. 50,000 for first-home buyers

### 1.2. New Taxes

- Dividend Tax @ 10% introduced in hands of Individuals / HUFs / Firms / LLPs for dividend receipts in excess of Rs. 10 lakhs.
- Digital Equalisation Levy at 6% - ( new Chapter ) to be introduced considering it is essential to address the challenges of digital transactions of emerging digital economy and rapidly changing style of business operations.
- TCS introduced on sale of motor vehicle exceeding Rs. 10 Lakhs and Sale of certain goods at Cash exceeding Rs. 2 Lakhs.

### 1.3. Start Up Benefits

- An Option for newly setup domestic companies to pay at 25% at the option of the company subject to fulfilment of certain conditions

### 1.4. Tax Audit Limits under Sec 44AB and Presumptive taxation

- Increase in threshold limit for tax audit Rs. 50 Lakhs for profession.
- Presumptive taxation scheme introduced for professionals

### 1.5. Sunset Clauses

- Phasing out of deductions / allowances provided by secs. 32, 35, 35AC, 35AD, 35CCD, 80IA, 80IAB and 80IB

### 1.6. TDS Provisions

- Rationalisation and modification of minimum amounts of payments for TDS applicability

### 1.7. Non Adversarial, Ease, Clarity and Black Money

- Introduction of Income Declaration Scheme
- Introduction of Dispute Resolution Scheme
- Penalty on concealment of income rule based
- Tax incentives for new employment generation rationalized.
- POEM based residence test is postponed by 1 year.
- Provision for belated returns
- Preponement of time lines for completion of assessments

## 2. Key Highlights - Indirect

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### 2.1. Customs Act

- Clause 43 of section 2 of the Customs Act, 1962 has been amended to include ‘special warehouse’, licensed under section 58A of the Act, wherein, dutiable goods may be deposited and such warehouse will be under the physical control of the customs department.
- Amendment has been made in section 28 of the Act so as to increase the period of limitation from 1 year to 2 years in normal cases not involving fraud, suppression of facts, etc.
- Every notification issued under section 25 will come into force on the date of its issue by the central government for publication in the Official Gazette.

### 2.2. Central Excise

- Amendment has been made in section 11A of the Central Excise Act, 1944 to increase the period of limitation from 1 year to 2 years in normal cases for issuance of Show Cause Notice not involving fraud, suppression of facts, etc
- Clean energy cess will now be named as Clean Environment Cess and will be leviable @ Rs. 400/- per MT on coal, lignite and peat with effect from 01/03/2016.
- With effect from 01/04/2016, ER-4, ER-5, ER-6 & ER-7 are not to be filed. One return called “Annual Return” is to be filed. No change in ER-1 / ER-2 / ER-3
- A Special Dispute Resolution Scheme called the Indirect Tax Dispute Resolution Scheme, 2016 has been introduced in Finance Bill, 2016 which shall come into force on 01/06/2016
- Equipments and appliances used in an office located within a factory are being included in the definition of capital goods so as to allow cenvat credit on the same.
- With effect from 01/04/2016, “capital goods” upto Rs. 10,000 per piece are to be treated as input and 100% credit will be available in the first year itself.

### 2.3. Service Tax Highlights

- A new levy called ‘Krishi Kalyan Cess’ will be imposed from 01/06/2016 on all the taxable services @ 0.5% of the value of taxable services.
- The rate of interest under section 75 of the Act for late payment of service tax has been decreased to 15% in normal cases and 24% in cases where tax has been collected but not paid within due date. This amendment will be effective from the date the Finance Bill is enacted.
- The liability to pay service tax on any service provided by government or a local authority to business entities shall be on the service recipient w.e.f. 01/04/2016.

### 3. Direct taxes – Synopsis of Changes

Section	Key Aspects
<b>2(24) – Income</b>  <b>Inclusion of Subsidy</b>  <b>Wef April 1, 2017</b>	Income will not include  <b>Assistance in the form of a subsidy or grant or cash incentive or duty drawback or waiver or concession or reimbursement (by whatever name called) by the Central Government or a State Government or any authority or body or agency in cash or kind to the assessee other than :</b>  a) the subsidy or grant or reimbursement which is taken into account for determination of the actual cost of the asset in accordance with the provisions of Explanation 10 to clause (1) of section 43 ; or  b) the subsidy or grant by the Central Government for the purpose of the corpus of a trust or institution established by the Central Government or a State Government, as the case may be,
<b>Sec 6</b>  <b>POEM</b>  <b>Defer by one year</b>  <b>Wef 1/4/2017</b>	Defer the applicability of POEM based residence test by one year and the determination of residence based on POEM shall be applicable from 01/04/17
<b>Sec 9A</b> <b>Modification in conditions of special taxation regime for off shore funds</b>  <b>Wef April 1, 2017 and AY 2017-18 onwards</b>	Eligible investment fund for purposes of section 9A, shall also mean a fund established or incorporated or registered outside India in a country or a specified territory notified by the Central Government in this behalf. It is also proposed to provide that the condition of fund not controlling and managing any business in India or from India shall be restricted only in the context of activities in India.
<b>Sec 10AA</b> <b>SEZ</b> <b>Sunset Clause</b> <b>April 1, 2020</b>	Profit linked deductions for units in SEZ for profit derived from export of articles or things or services  No deduction shall be available to units commencing manufacture or production of article or thing or start providing services on or after 1st day April, 2020. (from previous year 2020-21 onwards).
<b>Sec 24(b)</b>	Deduction of an amount of two lakh rupees shall be allowed where a house property referred to in sub-section (2) of section 23 (self-occupied house property) has been

Section	Key Aspects
<b>Interest on capital for house property – extended to 5 years</b>  <b>Wef April 1, 2017</b>	<p>acquired or constructed with capital borrowed on or after the 1st day of April, 1999 and such acquisition or construction is completed</p> <p>within <u>five</u> years from the end of the financial year in which capital was borrowed</p>
<b>Sec 25A, 25AA and 25B</b>  <b>Unrealised rent</b>  <b>Wef April 1, 2017</b>	<p>(1) The amount of arrears of rent received from a tenant or the unrealised rent realised subsequently from a tenant, as the case may be, by an assessee shall be deemed to be the income from house property in respect of financial year in which such rent is received or realised, and shall be included in the total income of the assessee under the head —Income from House Property   whether the assessee is the owner of the property or not in that financial year.</p> <p>(2) A sum equal to thirty percent of the arrears of rent or the unrealised rent referred to in sub section (1) shall be allowed as deduction.’</p>
<b>Sec 28(va)</b> <b>Non compete fees inclusion</b> <b>AY 2017-18</b>	<p>Amend clause (va) of section 28 of the Act to bring the non-compete fee received / receivable (which are recurring in nature) in relation to not carrying out any profession, within the scope of sec. 28. And consequent amendment to Sec 55</p>
<b>Sec 32 ( Rule 5 )</b>	<p>Accelerated depreciation is provided to certain Industrial sectors in order to give impetus for investment. The depreciation under the Income-tax Act is available up to 100% in respect of certain block of assets.</p> <p>To amend the new Appendix IA read with rule 5 of Income-tax Rules, 1962 to provide that highest rate of depreciation under the Income-tax Act shall be restricted to 40% w.e.f 01.4.2017. (i.e from previous year 2017-18 and subsequent years). The new rate is proposed to be made applicable to all the assets (whether old or new) falling in the relevant block of assets.</p>
<b>Sec 32(1)(iia)</b>  <b>Transmission of Power included</b>  <b>Wef AY 2017-18</b>	<p>20% of Actual cost, if New Machinery or Plant is installed is presently allowed as Additional depreciation for assessee engaged in the business of manufacture or production of any article or thing or in the business of Generation or Generation and distribution of power</p> <p>It is proposed to extend the benefit to the activity of Transmission of Power also</p>
<b>Sec 32 ABB</b>  <b>Wef AY 2017-18</b>	<p>Provides for phased deduction in respect of capital expenditure for obtaining licence to operate telecommunication services over the period of Licence</p> <p>It is proposed to insert new sec. 32ABA for phased deduction in respect of capital expenditure for right to use spectrum for telecommunication services. The phased manner of deduction is same as in case of Sec. 35ABB</p>
<b>Sec 32 AC</b>  <b>Sunset Clause : Ends from 31st March, 2017</b>	<p>Deduction @15% of the Actual cost of Plant &amp; Machinery acquired and installed during the previous year subject to certain conditions</p> <p>The dual condition of acquisition and installation causes genuine hardship in cases in which assets having been acquired could not be installed in same previous year.</p>

Section	Key Aspects
<b>Sec. 35AC</b> <b>Sunset Clause : Ends from 31st March, 2017</b>	Deduction of 100% in respect of any expenditure by way of payment of any sum to Public sector company or a Local Authority or association or institution approved by the National Committee for carrying out any eligible project
<b>35 (1) (ii)</b>	Contribution to a research association which has as its object of scientific research  150% of the amount paid (upto A.Y.2020-2021) 100% of the amount paid (after from A.Y.2021-22)
<b>35 (1) (iia)</b> <b>Change from 125%</b>	Contribution to Company having object of Scientific research  100% of the amount paid
<b>35 (1) (iii)</b> <b>Change from 125%</b>	Contribution to a research association having object of research in Social Science or Statistical Research  100% of the amount paid
<b>35 (2AA)</b> <b>Change from 200%</b>	Contribution to National Laboratory or a University or an Indian Institute of Technology or specified person for approved programme  150% of the amount paid (upto A.Y.2020-2021) 100% of the amount paid (after from A.Y.2021-22)
<b>35 (2AB)</b> <b>Change from 200%</b>	Expenditure on In house research by Company engaged in business of bio Techonology etc  150% of the amount paid (upto A.Y.2020-2021) 100% of the amount paid (after from A.Y.2021-22)
<b>Sec 35 ABB</b> <b>Spectrum</b>	Sec. 32ABB provides for phased deduction in respect of capital expenditure for obtaining licence to operate telecommunication services over the period of Licence.  In order to provide clarity and avoid any future litigation and controversy, it is proposed to insert a new section 35ABA in the Act to provide for tax treatment of spectrum fee.
<b>Sec 35 AD</b> <b>New business</b>	Sec. 35AD(1A) provides 150% deduction in case of certain specified businesses such as 1. Setting up and operating a cold chain facility; 2. Setting up and operating a

Section	Key Aspects
<b>and reduction in quantum to 100%</b>	warehousing facility for Storage of agricultural produce; 3. Building and operating, anywhere in India, any hospital with at least 100 beds for patients; 4. Developing and Building a Housing Project; 5. Production of fertilisers in India. Reduce quantum of deduction from 150% to 100%
<b>Sec 35CCC</b>	Expenditure on Agricultural Extention Project from 150% of amount paid to 100% of amount paid
<b>Sec 35CCD</b> <b>Quantum change</b>	Expenditure on Skill Development project from 150% of amount paid To 150% of the amount paid (upto A.Y.2020-2021) 100% of the amount paid (after from A.Y.2021-22)
<b>Sec 36(1)(viiia)</b> <b>NBFC inclusion</b> <b>Wef April 1, 2017 and AY 2017-18</b>	Provides for deduction for Bad and Doubtful debts to certain banks ( 7.5%) and RRB's at 10%  It is proposed to extend this deduction to NBFC also maximum upto 5% of the Total income (computed before making deduction under chapter VIA).
<b>Sec 44AB - Tax audit threshold</b> <b>Wef April 1, 2017 and AY 2017-18 onwards</b>	Assessee carrying on profession from Rs 25 lakhs to Rs 50 lakhs
<b>Sec 44AD</b> <b>Presumptive taxation</b> <b>Wef April 1, 2017 and AY 2017-18 onwards</b>	Presumptive taxation changes <ul style="list-style-type: none"> <li>• Change of limit from Rs 1 to Rs 2 Crores, 8% continues to be presumed income</li> <li>• No deduction of Interest on Capital and remuneration to firms opting for presumptive taxation</li> <li>• Conditions for Change from presumptive to non presumptive <ul style="list-style-type: none"> <li>○ Assessee to get his books audited in the year of change</li> <li>○ Cannot change back to presumptive upto next five years</li> </ul> </li> </ul>
<b>Sec 44ADA</b> <b>Presumptive taxation for professionals</b> <b>Wef April 1, 2017 and AY 2017-18 onwards</b>	New Sec. 44ADA is proposed to be introduce to extend presumptive taxation scheme to professional also.  Any assessee carring on profession and if gross receipt is less than 50 Lac, 50% of such gross receipt shall be presumed to be his income.  All the deduction u/s. 30 to 38 are presumed to be allowed and no further deduction is allowed from such presumptive income.  If assessee claims his income lower than presumptive income u/s. 44AD, then he is



Section	Key Aspects
	<p>required to maintain books of accounts u/s.44AA as well as such books are required to be audited u/s.44AB.</p> <p>Sec 44ADA, presently, does not provide for conditions for change from presumptive taxation to other mode</p>
<p><b>Sec 47 and Sec 48 Gold Bonds</b></p> <p><b>Wef April 1, 2017 and AY 2017-18 onwards</b></p>	<p>Amend Section 47 of the Income-tax Act, so as to provide that any redemption of Sovereign Gold Bond under the Scheme, by an individual shall not be treated as transfer and therefore shall be exempt from tax on capital gains.</p> <p>Amend section 48 of the Income-tax Act, so as to provide indexation benefits to long terms capital gains arising on transfer of Sovereign Gold Bond to all cases of assesseees</p>
<p><b>Sec 48 Rupee denominated bond</b></p> <p><b>Wef April 1, 2017 and AY 2017-18 onwards</b></p>	<p>The Reserve Bank of India has recently permitted Indian corporates to issue rupee denominated bonds outside India as a measure to enable the Indian corporates to raise funds from outside India.</p> <p>Accordingly, with a view to provide relief to non-resident investor who bears the risk of currency fluctuation, it is proposed to amend section 48 of the Act so as to provide that the capital gains, arising in case of appreciation of rupee between the date of issue and the date of redemption against the foreign currency in which the investment is made shall be exempt from tax on capital gains.</p>
<p><b>Sec 47</b></p> <p><b>Consolidation of 'plans' within a 'scheme' of mutual fund</b></p> <p><b>Wef April 1, 2017 and AY 2017-18 onwards</b></p>	<p>It is proposed to amend Section 47 so as to provide that any transfer by a unit holder of a capital asset, being a unit or units, held by him in the consolidating plan of a mutual fund scheme, made in consideration of the allotment to him of a capital asset, being a unit or units, in the consolidated plan of that scheme of the mutual fund shall not be considered transfer for capital gain tax purposes and thereby shall not be chargeable to tax</p>
<p><b>Sec 47 (xiiiib)</b></p> <p><b>Conversion of private / unlisted public company to LLP</b></p> <p><b>Wef April 1, 2017 and AY 2017-18 onwards</b></p>	<p>It is proposed to amend the said section so as to provide that, for availing tax-neutral conversion, in addition to the existing conditions, the value of the total assets in the books of accounts of the company in any of the three previous years preceding the previous year in which the conversion takes place, should not exceed five crore rupees</p>
<p><b>Sec 50 C</b></p> <p><b>Wef April 1, 2017 and AY 2017-18 onwards</b></p>	<p>It is proposed to amend the provisions of section 50C so as to provide that where the date of the agreement fixing the amount of consideration for the transfer of immovable property and the date of registration are not the same, the stamp duty value on the date of the agreement may be taken for the purposes of computing the full value of consideration.</p>
<b>Sec 56</b>	Any shares received by an individual or HUF as a consequence of demerger or

Section	Key Aspects
Wef April 1, 2017 and AY 2017-18 onwards	amalgamation of a company shall not attract the provisions of clause (vii) of sub-section (2) of section 56.
Sec 80JJAA Wef April 1, 2017 and AY 2017-18 onwards	<p>Section 80JJAA provide for a deduction of thirty percent of additional wages paid to new regular workmen in a factory for three years</p> <p>It is proposed to provide that the deduction under the said provisions shall be available in respect of cost incurred on any employee whose total emoluments are less than or equal to twenty five thousand rupees per month subject to certain conditions</p> <p>It is further proposed to relax the norms for minimum number of days of employment in a financial year from 300 days to 240 days and also the condition of ten per cent increase in number of employees every year is proposed to be done away with so that any increase in the number of employees will be eligible for deduction under the provision.</p> <p>It is also proposed to provide that in the first year of a new business, thirty percent of all emoluments paid or payable to the employees employed during the previous year shall be allowed as deduction</p>
Sec 80IA, 80IAB, 80IB Sunset Clause Wef commencement after 1 April 2017	<p>Deduction in respect of profits derive from :</p> <p>(a) development, operation and maintenance of an infrastructure facility (80-IA) (b) development of special economic zone (80-IAB) (c) production of mineral oil and natural gas [80-IB(9)]</p> <p>100 per cent profit linked deductions for specified period on eligible business carried on by industrial undertakings or enterprises referred in section 80IA; 80IAB, and 80IB.</p> <p>No deduction shall be available if the specified activity commences on or after 1st day April, 2017. (i.e from previous year 2017-18 and subsequent years).</p>
Sec 80GG Wef April 1, 2017 and AY 2017-18 onwards	In order to provide relief to the individual tax payers, it is proposed to amend section 80GG so as to increase the maximum limit of deduction from existing Rs. 2000 per month to Rs. 5000 per month.
Sec 87 A Tax rebate Wef April 1, 2017 and AY 2017-18 onwards	it is proposed to amend section 87A so as to increase the maximum amount of rebate available under this provision from existing Rs.2,000 to Rs.5,000.
Sec 98 STT rate	It is proposed to increase the rate from 0.017 per cent.to 0.05 per cent.

Section	Key Aspects
<b>Wef Jun 1, 2016</b>	
<b>Sec 112(1)(c) “unlisted securities”</b>  <b>Wef April 1, 2017 and AY 2017-18 onwards</b>	With a view to clarify the position so far as taxability is concerned, it is proposed to amend the provisions of clause (c) of sub-section (1) of section 112 of the Income- tax Act, so as to provide that long-term capital gains arising from the transfer of a capital asset being shares of a company not being a company in which the public are substantially interested, shall be chargeable to tax at the rate of 10 per cent.
<b>Sec 115 BA</b>  <b>New section for Newly set up domestic companies</b>  <b>Wef April 1, 2017 and AY 2017-18 onwards</b>	Income of a domestic company for any previous year relevant to the assessment year beginning on or after the 1st day of April, 2017 shall be computed @ 25% at the option of the company, if, - <ul style="list-style-type: none"> <li>(i) the company has been setup and registered on or after 1st day of March, 2016;</li> <li>(ii) the company is engaged in the business of manufacture or production of any article or thing and is not engaged in any other business;</li> <li>(iii) the company while computing its total income has not claimed any benefit under section 10AA, benefit of accelerated depreciation, benefit of additional depreciation, investment allowance, expenditure on scientific research and any deduction in respect of certain income under Part-C of Chapter-VI-A other than the provisions of section 80JJAA; and</li> <li>(iv) the option is furnished in the prescribed manner before the due date of furnishing of income. However, provisions of section 111A and section 112 shall apply as such</li> </ul>
<b>Sec 115 JB</b>  <b>MAT for foreign company</b>  <b>Wef April 1, 2001</b>	Amend the Income-tax Act so as to provide that with effect from 01.04.2001, the provisions of section 115JB shall not be applicable to a foreign company if <ul style="list-style-type: none"> <li>(i) the assessee is a resident of a country or a specified territory with which India has an agreement referred to in sub-section (1) of section 90 or the Central Government has adopted any agreement under sub-section (1) of section 90A and the assessee does not have a permanent establishment in India in accordance with the provisions of such Agreement; or</li> <li>(ii) the assessee is a resident of a country with which India does not have an agreement of the nature referred to in clause (i) above and the assessee is not required to seek registration under any law for the time being in force relating to companies.</li> </ul> <p>This amendment is proposed to be made effective retrospectively from the 1st day of April, 2001 and shall accordingly apply in relation to assessment year 2001-02 and subsequent years</p>
<b>MAT - IFSC</b>	With a view to provide a competitive tax regime to International Financial Services Centre, it is proposed to amend section 115JB so as to provide that in case of a company, being a unit located in International Financial Services Centre and deriving its income solely in convertible foreign exchange, the Minimum Alternate Tax shall be chargeable at the rate of nine per cent
<b>Sec 115-O</b>	Where total of income of assessee, being an individual, HUF or a firm, resident in India, includes any income exceeding Rs. 10 lakhs by way of dividends declared,

Section	Key Aspects
<b>Dividends – tax for individuals</b>  <b>Wef April 1, 2017 and AY 2017-18 onwards</b>	distributed or paid by a domestic company, the income tax-tax payable shall be aggregate of following:  1. Amount of income-tax calculated on the such dividend earned @ 10% and  2. Amount of income-tax with which the assessee would have been chargeable on total income as reduced by amount dividend income  Dividend shall have the same meaning as defined us. 2(22) but shall not include sub-clause (e ) thereof
<b>Sec 115-O</b>	Section 115-O so as to provide that no tax on distributed profits shall be chargeable in respect of the total income of a company being a unit located in International Financial Services Centre, deriving income solely in convertible foreign exchange, for any assessment year on any amount declared, distributed or paid by such company, by way of dividends (whether interim or otherwise) on or after the 1st day of April, 2017 out of its current income, either in the hands of the company or the person receiving such dividend.
<b>Sec 115 QA</b>  <b>Wef Jun 1, 2016</b>	The existing provisions of section 115QA of the Act provide for the levy of additional Income-tax @ 20% of the distributed income on account of buy back of unlisted shares by a company.  It is proposed to amend section 115QA to provide that the provisions of this section shall apply to any buy back of unlisted share undertaken by the company in accordance with the provisions of the law relating to the Companies and not necessarily restricted to section 77A of the Companies Act, 1956.
<b>Sec 115 BBF New Section</b>  <b>Royalty on Patents</b>  <b>Wef April 1, 2017 and AY 2017-18 onwards</b>	Where the total income of the eligible assessee income includes any income by way of royalty in respect of a patent developed and registered in India, then such royalty shall be taxable at the rate of ten per cent (plus applicable surcharge and cess) on the gross amount of royalty. No expenditure or allowance in respect of such royalty income shall be allowed under the Act.  For the purpose of this concessional tax regime an eligible assessee means a person resident in India, who is the true and first inventor of the invention and whose name is entered on the patent register as the patentee in accordance with Patents Act, 1970 and includes every such person, being the true and the first inventor of the invention, where more than one person is registered as patentee under Patents Act, 1970 in respect of that patent.
<b>Sec 139 Return of Income</b>  <b>Provisio 6</b>  <b>10(38) exemption</b>  <b>Wef April 1, 2017 and AY 2017-18 onwards</b>	Existing provisions of sub-section (1) of section 139 provide that every person referred to therein shall file a return of income on or before the due date.  The sixth proviso to the said section provides that for the category of assesses specified therein if his total income or of any other person in respect of which he is assessable under this Act during the previous year, without giving effect to provisions of section 10A or section 10B or section 10BA or Chapter VI-A, exceeds the maximum amount which is not chargeable to income tax shall be liable to furnish return on or before the due date.  Now the Total Income shall be computed before exemption u/s 10 (38) i.r.o. LTCG on shares sold through recognised stock exchange

Section	Key Aspects
<b>Sec 139 (5)</b> <b>Revision of belated returns</b> <b>Wef April 1, 2017 and AY 2017-18 onwards</b>	<p>The existing provision of Sec.139 (5) allows for revision of Original Return u/s. 139(1) only. Belated Returns filed u/s. 139(4) was not allowed to be revised.</p> <p>Sec. 139 (5) is amended to allow even Belated Return Filed u/s.139(4)</p> <p>It is also proposed to substitute sub-section (4) of the aforesaid section to provide that any person who has not furnished a return within the time allowed to him under sub-section (1), may furnish the return for any previous year at any time before the end of the relevant assessment year or before the completion of the assessment, whichever is earlier</p>
<b>Sec 143 (1)</b> <b>Processing mandated before assessment</b> <b>Wef April 1, 2017 and AY 2017-18 onwards</b>	<p>Under the existing provision of sub-section (1D) of section 143, processing of a return is not necessary where a notice has been issued to the assessee under sub-section (2) of the said section.</p> <p>It is proposed to amend sub-section (1D) of the aforesaid section to provide that before making an assessment under sub-section (3) of section 143, a return shall be processed under sub-section (1) of section 143</p> <p>The amendment will take effect from the 1st day of April, 2017 and will, accordingly apply in relation to assessment year 2017-2018 and subsequent years</p>
<b>Sec 153(1)</b> <b>Revision of time limit</b> <b>Wef Jun 1, 2016</b>	<p>Sec 143 and Sec 144</p> <p>21 ( revised from 24 earlier ) months from the expire of assessment year in which the income was first assessable</p>
<b>Sec 153(2)</b> <b>Revision of time limit</b> <b>Wef Jun 1, 2016</b>	<p>Sec 147 - Assessment, reassessment or recomputation</p> <p>9 ( 12 months revised to 9 now ) from the end of the financial year in which the notice under section 148 was served</p>
<b>Sec 153(3)</b> <b>Revision of time limit</b> <b>Wef Jun 1, 2016</b>	<p>Order of fresh assessment in pursuance of an order under section 254 or section 263 or section 264</p> <p>Any time before the expiry of 9 months ( 12 months earlier ) from the end of the financial year in which the order under section 254 is received by the Principal Chief Commissioner or Chief Commissioner or Principal Commissioner or Commissioner or, as the case may be, the order under section 263 or section 264 is passed by the Principal Commissioner or Commissioner</p>
<b>Sec 192 and 194</b>	As per Table Attached

Section	Key Aspects				
<b>TDS</b>  <b>Wef Jun 1, 2016</b>					
<b>Sec 197A/ Sec 194I</b>  <b>Wef Jun 1, 2016</b>	In spite of providing higher threshold for deduction tax under this section, there may be cases where the tax payable on recipient's total income, including rental payments , will be nil.  It is proposed to amend the provisions of section 197A for making the recipients of payments referred to in section 194-I also eligible for filing self-declaration in Form no 15G/15H for non-deduction of tax at source in accordance with the provisions of section 197A				
<b>Sec 206 AA TDS for non resident</b>  <b>Wef Jun 1, 2016</b>	The law provided for 20% deduction if PAN is not furnished by any person ( including non resident )  The provisions of section 206AA also apply to non-residents with an exception in respect of payment of interest on long-term bonds as referred to in section 194LC.  Certain other relaxations will be prescribed as under :  It is proposed to amend the said section 206AA so as to provide that the provisions of this section shall also not apply to a non-resident, not being a company, or to a foreign company, <b>in respect of any other payment, other than interest on bonds, subject to such conditions as may be prescribed</b>				
<b>Sec 206 C</b>  <b>Tax Collection at Source</b>  <b>Wef Jun 1, 2016</b>	The seller shall collect tax at source at specified rate from the buyer at the time of sale of specified items such as alcoholic liquor for human consumption, tendu leaves, scrap, mineral being coal or lignite or iron ore, bullion etc. in cash exceeding two lakh rupees  Now the amended provision is as under – 2 amendments  the seller shall collect the tax at the rate of one per cent from the purchaser on sale of <ul style="list-style-type: none"> <li>• motor vehicle of the value exceeding ten lakh rupees and</li> <li>• sale in cash of any goods (other than bullion and jewellery), or providing of any services (other than payments on which tax is deducted at source under Chapter XVII-B) exceeding two lakh rupees</li> </ul> It is also proposed to provide that the sub-section (1D) relating to TCS in relation to sale of any goods (other than bullion and jewellery) or services shall not apply to certain class of buyers who fulfil such conditions as may be prescribed				
<b>Sec 271</b>  <b>Rule based penal provisions</b>  <b>Consequential amendments to Sections 119, 253, 271A,</b>	Present penal provisions u/s. 271 is to be discontinued and replaced by insertion of Sec. 270A and 270AA which are rule based penal provisions <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Condition :</th> <th style="width: 50%;">Determination of Under Assessed Income :</th> </tr> </thead> <tbody> <tr> <td>The income assessed is greater than the income determined in the return processed under clause (a) of sub-section</td> <td>Assessed income – (minus) income determined u/s 143(1)(a)</td> </tr> </tbody> </table>	Condition :	Determination of Under Assessed Income :	The income assessed is greater than the income determined in the return processed under clause (a) of sub-section	Assessed income – (minus) income determined u/s 143(1)(a)
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Section	Key Aspects	
<p><b>271AA, 271AAB, 273A and 279 to provide reference to newly inserted section 270A</b></p> <p><b>Wef April 1, 2017 and AY 2017-18 onwards</b></p>	(1) of section 143	
	<p>The income assessed is greater than the maximum amount not chargeable to tax, where no return of income has been furnished;</p>	<p>In case of an assessee being a company, firm or local authority, the assessed income;</p> <p>In case of Other assessee, for a person other than company, firm or local authority, the difference between the assessed income and the maximum amount not chargeable to tax.</p>
	<p>The income “re”assessed is greater than the income assessed or “re”assessed immediately before such re-assessment</p>	<p>Difference between income assessed under current order and income assessed/reassessed in earlier order</p>
	<p>The amount of deemed total income assessed or reassessed as per the provisions of section 115JB or 115JC, as the case may be, is greater than the deemed total income determined in the return processed under clause (a) of sub-section (1) of section 143</p>	<p>Under-assessed income = (A-B)+(C-D)</p> <p>A = the total income assessed as per the provisions other than the provisions contained in section 115JB or section 115JC (herein called general provisions);</p> <p>B = the total income that would have been chargeable had the total income assessed as per the general provisions been reduced by the amount of under reported income;</p> <p>C = the total income assessed as per the provisions contained in section 115JB or section 115JC;</p> <p>D = the total income that would have been chargeable had the total income assessed as per the provisions contained in section 115JB or section 115JC been reduced by the amount of under reported income</p>
	<p>the amount of deemed total income assessed as per the provisions of section 115JB or 115JC is greater than the maximum amount not chargeable to tax, where no return of income has been filed</p>	<p>No specific provision appears to be there</p>
	<p>the income assessed or reassessed has the effect of reducing the loss or converting such loss into income</p>	<p>the amount of under reported income shall be the difference between the loss claimed and the income or loss, as the case may be, assessed or reassessed</p>
<p>Where under reporting of income is the result of misreporting by the assessee, the person shall be liable to penalty at 200% of tax payable on such misreported income</p> <ul style="list-style-type: none"> <li>• misrepresentation or suppression of facts;</li> <li>• non-recording of investments in books of account;</li> <li>• claiming of expenditure not substantiated by evidence; recording of false entry</li> </ul>		

Section	Key Aspects										
	<p>in books of account;</p> <ul style="list-style-type: none"> <li>failure to record any receipt in books of account having a bearing on total income;</li> <li>failure to report any international transaction or deemed international transaction under Chapter X.</li> </ul> <p>The cases of under-reporting of income other than the above would be subject to penalty at 50% of tax payable on unreported income</p> <p>Tax payable on underreported income</p> <table border="1" data-bbox="440 542 1479 680"> <tr> <td data-bbox="440 542 767 642">Company, firm or local authority</td> <td data-bbox="775 542 1479 642">the tax payable on under reported income shall be calculated as if the under-reported income is the total income</td> </tr> <tr> <td data-bbox="440 642 767 680">Other assesses</td> <td data-bbox="775 642 1479 680">30% of unreported income</td> </tr> </table>	Company, firm or local authority	the tax payable on under reported income shall be calculated as if the under-reported income is the total income	Other assesses	30% of unreported income						
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Other assesses	30% of unreported income										
<p><b>Sec 286 / 92 to 92F</b></p> <p><b>Wef April 1, 2017 and AY 2017-18 onwards</b></p>	<p>Country by Country Reporting</p> <p>In order to implement the international consensus, it is proposed to provide a specific reporting regime in respect of CbC reporting and also the master file. It is proposed to include essential elements in the Act while remaining aspects can be detailed in rules. The elements relating to CbC reporting requirement and matters related to it proposed to be included through amendment of the Act are ( only key aspects are documented here )</p> <table border="1" data-bbox="440 1019 1479 1868"> <tr> <td data-bbox="440 1019 635 1120">Threshold</td> <td data-bbox="635 1019 1479 1120">the reporting provision shall apply in respect of an international group having consolidated revenue above a threshold to be prescribed</td> </tr> <tr> <td data-bbox="440 1120 635 1220">Due Date</td> <td data-bbox="635 1120 1479 1220">on or before the due date of furnishing of return of income for the Assessment Year relevant to the Financial Year (previous year) for which the report is being furnished;</td> </tr> <tr> <td data-bbox="440 1220 635 1393">Parent entity</td> <td data-bbox="635 1220 1479 1393">Parent entity shall be an entity which is required to prepare consolidated financial statement under the applicable laws or would have been required to prepare such a statement, had equity share of any entity of the group been listed on a recognized stock exchange in India</td> </tr> <tr> <td data-bbox="440 1393 635 1529">Constituent entity</td> <td data-bbox="635 1393 1479 1529">Every constituent entity in India, of an international group having parent entity that is not resident in India, shall provide information regarding the country or territory of residence of the parent of the international group to which it belongs</td> </tr> <tr> <td data-bbox="440 1529 635 1868">Report</td> <td data-bbox="635 1529 1479 1868">The report shall be furnished in prescribed manner and in the prescribed form and would contain aggregate information in respect of revenue, profit &amp; loss before Income-tax, amount of Income-tax paid and accrued, details of capital, accumulated earnings, number of employees, tangible assets other than cash or cash equivalent in respect of each country or territory along with details of each constituent's residential status, nature and detail of main business activity and any other information as may be prescribed. This shall be based on the template provided in the OECD BEPS report on Action Plan 13As per format prescribed in</td> </tr> </table>	Threshold	the reporting provision shall apply in respect of an international group having consolidated revenue above a threshold to be prescribed	Due Date	on or before the due date of furnishing of return of income for the Assessment Year relevant to the Financial Year (previous year) for which the report is being furnished;	Parent entity	Parent entity shall be an entity which is required to prepare consolidated financial statement under the applicable laws or would have been required to prepare such a statement, had equity share of any entity of the group been listed on a recognized stock exchange in India	Constituent entity	Every constituent entity in India, of an international group having parent entity that is not resident in India, shall provide information regarding the country or territory of residence of the parent of the international group to which it belongs	Report	The report shall be furnished in prescribed manner and in the prescribed form and would contain aggregate information in respect of revenue, profit & loss before Income-tax, amount of Income-tax paid and accrued, details of capital, accumulated earnings, number of employees, tangible assets other than cash or cash equivalent in respect of each country or territory along with details of each constituent's residential status, nature and detail of main business activity and any other information as may be prescribed. This shall be based on the template provided in the OECD BEPS report on Action Plan 13As per format prescribed in
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<p><b>Equalisation levy</b></p> <p><b>Date to be notified</b></p>	<p>It is proposed to insert a new Chapter titled "Equalisation Levy" in the Finance Bill, to provide for an equalisation levy of 6 % of the amount of consideration for specified services received or receivable by a non-resident not having permanent establishment ('PE') in India, from a resident in India who carries out business or profession, or from</p>										



Section	Key Aspects
	a non-resident having permanent establishment in India.
<b>Levy of tax Charitable to Non charitable institution Wef Jun 1, 2016</b>	<p>Accordingly, it is proposed to amend the provisions of the Act and introduce a new Chapter to provide for levy of additional income-tax in case of conversion into, or merger with, any non-charitable form or on transfer of assets of a charitable organisation on its dissolution to a non-charitable institution. The elements of the regime are:</p> <ul style="list-style-type: none"> <li>(i) The accretion in income (accreted income) of the trust or institution shall be taxable on conversion of trust or institution into a form not eligible for registration u/s 12 AA or on merger into an entity not having similar objects and registered under section 12AA or on non-distribution of assets on dissolution to any charitable institution registered u/s 12AA or approved under section 10(23C) within a period twelve months from dissolution.</li> <li>(ii) Accreted income shall be amount of aggregate of total assets as reduced by the liability as on the specified date. The method of valuation is proposed to be prescribed in rules. The asset and the liability of the charitable organisation which have been transferred to another charitable organisation within specified time will be excluded while calculating accreted income.</li> <li>(iii) The taxation of accreted income shall be at the maximum marginal rate.</li> <li>(iv) This levy shall be in addition to any income chargeable to tax in the hands of the entity.</li> <li>(v) This tax shall be final tax for which no credit can be taken by the trust or institution or any other person, and like any other additional tax, it shall be leviable even if the trust or institution does not have any other income chargeable to tax in the relevant previous year.</li> <li>(vi) In case of failure of payment of tax within the prescribed time a simple interest @ 1% per month or part of it shall be applicable for the period of non-payment.</li> <li>(vii) For the purpose of recovery of tax and interest, the principal officer or the trustee and the trust or the institution shall be deemed to be assessee in default and all provisions related to the recovery of taxes shall apply. Further, the recipient of assets of the trust, which is not a charitable organisation, shall also be liable to be held as assessee in default in case of non-payment of tax and interest. However, the recipient's liability shall be limited to the extent of the assets received.</li> </ul>
<b>Affordable housing Wef April 1, 2017 and AY 2017-18 onwards</b>	<p>It is proposed to amend the Income-tax Act so as to provide for hundred per cent deduction of the profits of an assessee developing and building affordable housing projects if the housing project is approved by the competent authority before the 31st March, 2019 subject to certain conditions</p> <p>The existing provisions of section 80EE provide a deduction of up to 1 lakh rupees in respect of interest paid on loan by an individual for acquisition of a residential house property. This benefit is available for the two assessment years beginning on the 1st day of April 2014 and on the 1st day of April 2015.</p> <p>It is proposed to incentivise first-home buyers availing home loans, by providing</p>

Section	Key Aspects
	additional deduction in respect of interest on loan taken for residential house property from any financial institution up to Rs. 50,000. This incentive is proposed to be extended to a house property of a value less than fifty lakhs rupees in respect of which a loan of an amount not exceeding thirty five lakh rupees has been sanctioned during the period from the 1st day of April, 2016 to the 31st day of March, 2017. It is also proposed to extend the benefit of deduction till the repayment of loan continues.
Exemption from Dividend Distribution Tax on distribution made by an SPV to Business Trust.	In order to further rationalize the taxation regime for business trusts (REITs and Invits) and their investors, it is proposed to provide a special dispensation and exemption from levy of dividend distribution tax
Wef Jun 1, 2016	

#### TDS Changes

Nature of Payments to Residents		Assessment Year 2017-18		
Section	Description	Previous	Threshold Limit in INR	Rate
192A	Payment of Accumulated balance due to an employee	30,000	50,000	10%
194BB	Winning from Horse races	5,000	10,000	30%
194C	Payment to Contractors (Other than transport contractors who furnishes PAN)	Agg Annual Limit of Rs 75000	Agg Annual Limit of Rs 100000	2%(1% in case of payment to individual/HUF)
194D	Insurance Commission	20,000	15,000	5%
194DA	Life Insurance Policy	2%	100,000	1%
194EE	Payment for NSS deposits	20%		10%
194G	Commission-Lottery	1,000	15,000	5%
194H	Commission/Brokerage	5,000	15,000	5%
194K	Income in respect of Units	Yes	Omitted	Omitted
194L	Payment of compensation on acquisition of capital asset	Yes	Omitted	Omitted
194LA	Compensation on Compulsory Acquisition of certain immoveable property	200,000	250,000	10%

#### 4. Indirect taxes – Synopsis of Changes – Service tax Act

Detail	Key Aspects
<b>KKC</b>	An enabling provision is being made to levy Krishi Kalyan Cess on all taxable services with effect from 1st June, 2016, to finance and promote initiatives to improve agriculture. At 0.5%
<b>Legal Fees</b>	Exemption on services provided by,(i) a senior advocate to an advocate or partnership firm of advocates providing legal service; and (ii) a person represented on an arbitral tribunal to an arbitral tribunal, is being withdrawn with effect from <b>1st April, 2016</b> and Service Tax is being levied under forward charge.
<b>Monorail Metro</b>	Exemption on construction, erection, commissioning or installation of original works pertaining to monorail or metro, in respect of contracts entered into on or after 1st March 2016, is being withdrawn with effect from 1st March, 2016. Earlier at 5.6%
<b>Ropecar etc</b>	Exemption on the services of transport of passengers, with or without accompanied belongings, by ropeway, cable car or aerial tramway is being withdrawn with effect from 1st April, 2016. Taxable at 14%
<b>AC stage carriage</b>	Service Tax is being levied on transportation of passengers by air conditioned stage carriage with effect from 1st June, 2016, at the same level of abatement as applicable to the transportation of passengers by a contract carriage, that is, 60% without credit of inputs, input services and capital goods. ( 5.6% )
<b>Housing</b>	Services by way of construction etc. in respect of(i) housing projects under Housing For All (HFA) (Urban) Mission/Pradhan Mantri Awas Yojana (PMAY); (ii) low cost houses up to a carpet area of 60 square metres in a housing project under “Affordable housing in Partnership” component of PMAY, (iii) low cost houses up to a carpet area of 60 square metres in a housing project under any housing scheme of the State Government are exempted ( earlier 5.6% )
<b>Life Insurance</b>	The service of life insurance business provided by way of annuity under the National Pension System regulated by Pension Fund Regulatory and Development Authority (PFRDA) of India is being exempted from Service Tax with effect from 1st April, 2016. Earlier at 3.5%
<b>EPFO</b>	Services provided by Employees’ Provident Fund Organisation (EPFO) to employees are being exempted from Service Tax with effect from 1st April, 2016 Earlier at 14%
<b>IRDA</b>	Services provided by Employees’ Provident Fund Organisation (EPFO) to employees are being exempted from Service Tax with effect from 1st April, 2016 Earlier at 14%

Detail	Key Aspects
<b>SEBI</b>	The regulatory services provided by Securities and Exchange Board of India (SEBI) are being exempted from Service Tax with effect from 1st April, 2016. Earlier at 14%
<b>Health Insurance</b>	The services of general insurance business provided under 'Niramaya' Health Insurance scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability in collaboration with private/public insurance companies are being exempted from Service Tax with effect from 1st April, 2016. Earlier 14%
<b>Cold Chain</b>	Services provided by National Centre for Cold Chain Development under Department of Agriculture, Cooperation and Farmer's Welfare, Government of India, by way of knowledge dissemination are being exempted from Service Tax with effect from 1st April, 2016.
<b>Biotechnology</b>	Services provided by Biotechnology Industry Research Assistance Council (BIRAC) approved biotechnology incubators to incubatees are being exempted from Service Tax with effect from 1st April, 2016.
<b>Skill training</b>	Services provided by way of skill/vocational training by training partners under Deen Dayal Upadhyay Gramin Kaushalya Yojana are being exempted from Service Tax with effect from 1st April, 2016.
<b>Skill Development</b>	Services of assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development & Entrepreneurship are being exempted from Service Tax with effect from 1st April, 2016.
<b>Artist</b>	The threshold exemption to services provided by a performing artist in folk or classical art forms of music, dance or theatre is being enhanced from Rs 1 lakh to Rs 1.5 lakh charged per event with effect from 1st April, 2016.
<b>Indian Shipping lines</b>	To provide level playing field to Indian Shipping lines vis-a-vis foreign shipping lines, it is being proposed to zero rate the services provided by Indian Shipping lines by way of transportation of goods by a vessel to outside India with effect from 1st March, 2016,  and  Impose Service Tax on services provided by them (14%) by way of transportation of goods by a vessel from outside India up to the customs station in India with effect from 1st June, 2016 so as to complete the credit chain and enable Indian Shipping Lines to avail and utilize input tax credits.
<b>Refund of service tax</b>	Notification No. 41/2012- ST, dated the 29th June, 2012 was amended by notification No.1/2016-ST dated 3rd February, 2016 so as to, inter alia, allow refund of Service Tax on services used beyond the factory or any other place or premises of production or manufacture of the said goods for the export of the said goods. This amendment is being made effective from the date of application of the parent notification (i.e. 1st July 2012).
<b>Quarterly payment of ST</b>	The benefit of quarterly payment of Service Tax is being extended to 'One Person Company' (OPC) and HUF with effect from 1st April, 2016.

Detail	Key Aspects
<b>Receipt basis of payment</b>	The benefit of receipt basis of payment of Service Tax is being extended to 'One Person Company' (OPC) and HUF with effect from 1st April, 2016.
<b>Restoration of exemptions</b>	Exemptions on services of: a) construction provided to the Government, a local authority or a governmental authority, in respect of construction of govt. schools, hospitals etc. b) construction of ports, airports,[which were withdrawn with effect from 01.04.2015], are being restored in respect of services provided under contracts which had been entered into prior to 01.03.2015 on payment of applicable stamp duty, with retrospective effect from 01.04.2015.
	Services provided by way of construction, maintenance etc. of canal, dam or other irrigation works provided to bodies set up by Government but not necessarily by an Act of Parliament or a State Legislature, during the period from the 1st July, 2012 to 29th January, 2014, are being exempted from Service Tax with consequential refunds, subject to the principle of unjust enrichment.
<b>IIM's</b>	Services provided by the Indian Institutes of Management (IIM) by way of 2 year full time Post Graduate Programme in Management (PGPM) (other than executive development programme), Integrated Programme in Management and Fellowship Programme in Management (FPM) are being exempted from Service Tax with effect from 1st March, 2016.
<b>MF agents / distributors</b>	The services provided by mutual fund agent/distributor to a mutual fund or asset management company, are being made taxable under forward charge with effect from 1st April, 2016, so as to enable the small sub-agents down the distribution chain to avail small scale exemption having threshold turnover of Rs 10 lakh per year, subject to fulfillment of other conditions prescribed. (14%)
<b>Interest Rates</b>	Interest rates on delayed payment of duty/tax across all indirect taxes are being rationalized and made uniform at 15%, except in case of Service Tax collected but not deposited to the exchequer, in which case the rate of interest will be 24% from the date on which the Service Tax payment became due.  In case of assesseees, whose value of taxable services in the preceding year/years covered by the notice is less than Rs. 60 Lakh, the rate of interest on delayed payment of Service Tax will be 12%.  [The above changes will come into effect on the day the Finance Bill receives the assent of the President.]
<b>Rationalization of Abatements with input tax credit</b>  [The changes will come into effect from 1st April, 2016.]	Credit of input services is being allowed with input tax credit  transport of passengers by rail – abatement 70% transport of goods, other than in containers, by rail – abatement 70% transport of goods in containers by rail – abatement 60% transport of goods by vessel – abatement 70%  The abatement rate in respect of services by way of construction of residential complex, building, civil structure, or a part thereof, is being rationalized at 70% by merging the two existing rates (70% for high end flats and 75% for low end flats).  The abatement rate in respect of services by a tour operator in relation to packaged tour (defined where tour operator provides to the service recipient transportation,

Detail	Key Aspects
	<p>accommodation, food etc) and other than packaged tour is being rationalized at 70%.</p> <p>The abatement on shifting of used household goods by a Goods Transport Agency (GTA) is being rationalized at the rate of 60%, without CENVAT credit on inputs, input services and capital goods. (The existing rate of abatement of 70% allowed on transport of other goods by GTA continues unchanged).</p> <p>The abatement rate on services of a foreman to a chit fund is being rationalised at the rate of 30%, without CENVAT credit on inputs, input services and capital goods.</p>
<b>Lottery</b>	<p>Explanation 2 in section 65B (44) of the Finance Act, 1994 is being amended so as to clarify that any activity carried out by a lottery distributor or selling agent in relation to promotion, marketing, organizing, selling of lottery or facilitating in organizing lottery of any kind, in any other manner, of the State Government as per the provisions of the Lotteries (Regulation) Act, 1998 (17 of 1998), is leviable to Service Tax.</p>
<b>Rule 5 refund of Cenvat</b>	<p>Notification No. 27/2012 – C.E. (N.T.) dated 18.06.2012 is being amended with effect from 1st March, 2016 so as to provide that time limit for filing application for refund of CENVAT Credit under Rule 5 of the CENVAT Credit Rules, 2004, in case of export of services, is 1 year from the date of :</p> <p>(a) receipt of payment in convertible foreign exchange, where provision of service has been completed prior to receipt of such payment; or</p> <p>(b) issue of invoice, where payment, for the service has been received in advance prior to the date of issue of the invoice.</p>
<b>Spectrum</b>	<p>Assignment by the Government of the right to use the radio-frequency spectrum and subsequent transfers thereof is being declared as a service under section 66E of the Finance Act, 1994 so as to make it clear that assignment of right to use the spectrum is a service leviable to Service Tax and not sale of intangible goods -14%</p>
<b>Software</b>	<p>Service tax on the services of Information Technology Software on media bearing RSP is being exempted from Service Tax with effect from 1st March, 2016 provided Central Excise duty is paid on RSP in accordance with Section 4A of the Central Excise Act.</p>
<b>Software</b>	<p>Mutual exclusiveness of levy of excise duty and Service Tax on Information Technology Software in respect of software recorded on media “NOT FOR RETAIL SALE” is being ensured by exempting from excise duty only that portion of the transaction value on which Service Tax is paid.</p>
<b>Returns</b>	<p>To reduce compliance cost, the number of returns to be filed by a central excise assessee, above a certain threshold, is being drastically reduced, from 27 to 13, one annual and 12 monthly returns. Monthly returns are already being e-filed.</p> <p>CBEC will provide for e-filing of annual return also. The annual return will also have to be filed by Service Tax assessees, above a certain threshold, taking total number of returns to three in a year for them.</p> <p>This change shall come into effect from 1st April, 2016.</p>
<b>Prosecution</b>	<p>The power to arrest in Service Tax is being restricted only to situations where the tax</p>

Detail	Key Aspects
	<p>payer has collected the tax but not deposited it to the exchequer, and that too above a threshold of Rs 2 crore.</p> <p>The monetary limit for launching prosecution is being increased from Rs. 1 crore to Rs. 2 crore of Service Tax evasion.</p>

## 5. Indirect taxes – Synopsis of Changes – Customs Act

Effective Date : date of enactment unless otherwise specified

Section	Key Aspects
<b>Sec 8C</b>	To omit Section 8C [Power of Central Government to impose transitional product specific safeguard duty on imports from People’s Republic of China]
<b>Sec 9 and 45</b>	Clause 45 of section 2 of the Act defining the word ‘_warehousing station’ has been omitted (Refer Clause 113(ii) of the Finance Bill, 2016). Therefor section 9 of the Act, empowering Board to declare places to be warehousing stations, has also been omitted.
<b>Sec 25</b>	<p>Existing section 25(4)(b) and 25(5) of the Act has been omitted so as to do away with the requirement of the publishing and offering for sale any notification issued.</p> <p>This means that every notification issued under section 25 will come into force on the date of its issue by the central government for publication in the Official Gazette</p>
<b>Sec 28 /47/51 / 156</b>	Amendment have been made in section 28 of the Act so as to increase the period of limitation form 1 year to 2 years in normal cases not involving fraud, suppression of facts, wilful misstatement etc.
<b>Sec 43</b>	Amended to include ‘_special warehouse’, licensed under section 58A of the Act, wherein, dutiable goods may be deposited and such warehouse will be under the physical control of the customs department (Refer Clause 113(i) of the Finance Bill, 2016).
<b>Sec 53</b>	Amended so as to enable the Board to frame regulations for allowing transit of certain goods and conveyance without payment of duty
<b>Sec 57 and 58</b>	<p>Sections 57 and 58 are being substituted to provide for licensing by the Principal Commissioner or Commissioner, subject to such conditions as may be prescribed.</p> <p>This was by Deputy/Assistant Commissioner earlier</p>
<b>Sec 58 A</b>	<p>New section 58A is being inserted to provide for a new class of warehouses which require continued physical control</p> <p>This will be licensed for storing goods, as may be specified</p>

Section	Key Aspects
	This would be licensed by the Principal / Assistant Commissioner
<b>Sec 58B</b>	Inserted as concomitant for Sec 58A, provides for cancellation of licences
<b>Sec 59</b>	The existing section 59 governing warehousing bonds submitted by importers availing duty deferred warehousing is being substituted so as to <ul style="list-style-type: none"> <li>• fix the bond amount at thrice the duty involved ( twice earlier )</li> </ul> and <ul style="list-style-type: none"> <li>• to furnish security as prescribed ( new)</li> </ul>
<b>Sec 61</b>	Section 61 of the Customs Act specified the period for which goods may remain warehoused. Earlier period of three years and five years was provided.  Now, the unutilized inputs may remain in EOU, till the same are utilized for manufacture of finished goods.
<b>Sec 64</b>	The existing section 64 relating to owner's rights to deal with warehoused goods is being substituted so as to rationalize the facilities and rights extended under the section.  Previously samples could be removed without payment of duty. Now duty has to be paid even for removal of samples
<b>Sec 65</b>	Section 65 is being amended to give power to principal Commissioners or Commissioners, instead of Assistant / Deputy Commissioners, to grant permission to manufacture goods in a warehouse.  Provision regarding payment of fees to customs for supervision of manufacturing facilities is also being dispensed with

## 6. Indirect taxes – Synopsis of Key Changes – Central Excise

<b>Notification – Sec 5A</b>	Section 5A is being amended so as to omit the requirement of publishing and offering for sale any notification issued, by the Directorate of Publicity and Public Relations of CBEC.
<b>Sec 11A</b>	Section 11A is being amended so as to increase the period of limitation from one year to two years in cases not involving fraud, suppression of facts, willful mis-statement, etc.



<b>Sec 37 B</b>	Section 37B is being amended so as to empower the Board for implementation of any other provision of the said Act in addition to the power to issue orders, instructions and directions
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## 7. Indirect taxes – Synopsis of Key Changes – Cenvat Credit Rules

<b>Banks and other FI's</b>	The rules are being amended so as to allow banks and other financial institutions to reverse credit in respect of exempted services on actual basis in addition to the option of 50% reversal
<b>Shipping lines</b>	Credit availment by shipping lines ( not exempted any more )
<b>Capital Goods Wef April 1, 2016</b>	Treated as capital goods for the purpose of cenvat availment <ul style="list-style-type: none"> <li>• Equipments and Appliances</li> <li>• Wagons</li> <li>• Goods for pumping water for captive use even if located outside the factory</li> <li>• Capital goods upto Rs 10000 a piece can be availed in the same year</li> <li>• Cenvat credit by final manufacturer of Tools used by job worker ( can be sent directly without entering the manufacturers premises )</li> </ul>
<b>Time extension</b>	Inputs for job work – permitted upto a year, now extended to three years
<b>Annual Return</b>	A manufacturer of final products or provider of output services, shall submit to the Superintendent of Central Excise an annual return for each financial year, by the 30th day of November of the succeeding year, in the form as specified by a notification by the Board . ER5 and ER6 not needed

## 8. Interest Rationalisation across all Indirect Taxes

<b>Interest Rates</b>	Interest rates on delayed payment of duty/tax across all indirect taxes are being rationalized and made uniform at 15%, except in case of Service Tax collected but not deposited to the exchequer, in which case the rate of interest will be 24% from the date on which the Service Tax payment became due.  In case of assesseees, whose value of taxable services in the preceding year/years covered by the notice is less than Rs. 60 Lakh, the rate of interest on delayed payment
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of Service Tax will be 12%.

[The above changes will come into effect on the day the Finance Bill receives the assent of the President.]

	Customs	Excise	Service tax
Existing	18%	18%	18%,24%,30%
Proposed	15%	15%	15%
Tax collected not deposited to government			24%

## 9. Direct Tax Dispute Resolution Scheme

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Litigation has been a major area of concern in direct taxes. In order to reduce the huge backlog of cases and to enable the Government to realise its dues expeditiously, it is proposed to bring the Direct Tax Dispute Resolution Scheme, 2016 in relation to tax arrear and specified tax. The salient features of the proposed scheme are as under: It is proposed that the Central Government may, by notification in the Official Gazette, make rules for carrying out the provisions of this Scheme. Every rule made under this Scheme be laid, as soon as may be after it is made, before each House of Parliament in the manner specified in the scheme.

- The scheme be applicable to "tax-arrear" which is defined as the amount of tax, interest or penalty determined under the Income-tax Act or the Wealth-tax Act, 1957 in respect of which appeal is pending before the Commissioner of Income-tax (Appeals) or the Commissioner of Wealth-tax (Appeals) as on the 29th day of February, 2016
- The pending appeal could be against an assessment order or a penalty order.
- The declarant under the scheme be required to pay tax at the applicable rate plus interest upto the date of assessment. However, in case of disputed tax exceeding rupees ten lakh, twenty-five percent of the minimum penalty leviable shall also be required to be paid.
- In case of pending appeal against a penalty order, twenty-five percent of minimum penalty leviable shall be payable alongwith the tax and interest payable on account of assessment or reassessment.
- Consequent to such declaration, appeal in respect of the disputed income and disputed wealth pending before the Commissioner (Appeals) shall be deemed to be withdrawn.

## 10. Indirect taxes – Dispute resolution Scheme

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A Special Dispute Resolution Scheme called the Indirect Tax Dispute Resolution Scheme, 2016 has been introduced in Finance Bill, 2016 having following main features:

1. Indirect tax Dispute Resolution Scheme, 2016, wherein a scheme in respect of cases pending before Commissioner (Appeals), the assessee, after paying the duty, interest and penalty equivalent to 25% of duty, can file a declaration, is being introduced. In such cases the proceedings against the assessee will be closed and he will also get immunity from prosecution. However, this scheme will not apply in cases:

- a) where prosecution has already been launched
- b) involving narcotics & psychotropic substances
- c) involving detention under COFEPOSA.

2. It shall come into force on 01/06/2016.
3. To avail benefit of the Scheme, declarations are to be made by 31/12/2016, before the designated authority
4. Any matter relating to Customs Act, Service Tax or Central Excise can be resolved through this scheme.

## 11. Tax Rates

Assesment Year 2016-17 / Accounting Year 2015-16					Assesment Year 2015-16 / Accounting Year 2014-15				
Income in INR	Tax	SC	EC	Total	Income in INR	Tax	SC	EC	Total
<b>Individual(Age upto 60years)HUF, AOP, BOI &amp;AJP</b>									
Upto 2,50,000	Nil	NA	NA	Nil	Upto 2,50,000	Nil	NA	NA	Nil
2,50,001 to 5,00,000	10%	NA	3%	10.30%	2,50,001 to 5,00,000	10%	NA	3%	10.30%
5,00,001 to 10,00,000	20%	NA	3%	20.60%	5,00,001 to 10,00,000	20%	NA	3%	20.60%
10,00,001 to 1,00,00,000	30%	NA	3%	30.90%	10,00,001 to 1,00,00,000	30%	NA	3%	30.90%
More than 1,00,00,000	30%	12%	3%	34.61%	More than 1,00,00,000	30%	10%	3%	33.99%
<b>Individual(Age &gt;60 years and upto80 years)</b>									
Upto 3,00,000	Nil	NA	NA	Nil	Upto 3,00,000	Nil	NA	NA	Nil
3,00,001 to 5,00,000	10%	NA	3%	10.30%	3,00,001 to 5,00,000	10%	NA	3%	10.30%
5,00,001 to 10,00,000	20%	NA	3%	20.60%	5,00,001 to 10,00,000	20%	NA	3%	20.60%
10,00,001 to 1,00,00,000	30%	NA	3%	30.90%	10,00,001 to 1,00,00,000	30%	NA	3%	30.90%
More than 1,00,00,000	30%	12%	3%	34.61%	More than 1,00,00,000	30%	10%	3%	33.99%
<b>Individual(Age &gt;80 years</b>									
Upto 5,00,000	Nil	NA	NA	Nil	Upto 5,00,000	Nil	NA	NA	Nil
5,00,001 to 10,00,000	20%	NA	3%	20.60%	5,00,001 to 10,00,000	20%	NA	3%	20.60%
10,00,001 to 1,00,00,000	30%	NA	3%	30.90%	10,00,001 to 1,00,00,000	30%	NA	3%	30.90%
More than 1,00,00,000	30%	12%	3%	34.61%	More than 1,00,00,000	30%	10%	3%	33.99%
<b>Firm, LLP andLocal Authority</b>									
Upto 1,00,00,000	30%	NA	3%	30.90%	Upto 1,00,00,000	30%	NA	3%	30.90%
More than 1,00,00,000	30%	12%	3%	34.61%	More than 1,00,00,000	30%	10%	3%	33.99%
<b>AMT for Firm and LLP</b>									
Upto 1,00,00,000	18.50%	NA	3%	19.055%	Upto 1,00,00,000	18.50%	NA	3%	19.055%
More than 1,00,00,000	18.50%	12%	3%	21.34%	More than 1,00,00,000	18.50%	10%	3%	20.96%
<b>DomesticCompany</b>									
Upto 1,00,00,000	30%	NA	3%	30.90%	Upto 1,00,00,000	30%	NA	3%	30.90%
1,00,00,000 To 10 Crores	30%	7%	3%	33.06%	1,00,00,000 To 10 Crores	30%	5%	3%	32.45%
More than 10 Crores	30%	12%	3%	34.61%	More than 10 Crores	30%	10%	3%	33.99%
<b>MAT on DomesticCompany</b>									
Upto 1,00,00,000	18.50%	NA	3%	19.055%	Upto 1,00,00,000	18.50%	NA	3%	19.055%
1,00,00,000 To 10 Crores	18.50%	7%	3%	20.39%	1,00,00,000 To 10 Crores	18.50%	5%	3%	20.01%
More than 10 Crores	18.50%	12%	3%	21.34%	More than 10 Crores	18.50%	10%	3%	20.96%
<b>DDT</b>									
NA	15%	10%	3%	16.995%	NA	15%	10%	3%	16.995%
<b>Foreign Company</b>									
Upto 1,00,00,000	40%	NA	3%	41.20%	Upto 1,00,00,000	40%	NA	3%	41.20%
1,00,00,000 To 10 Crores	40%	2%	3%	42.02%	1,00,00,000 To 10 Crores	40%	2%	3%	42.02%
More than 10 Crores	40%	5%	3%	43.26%	More than 10 Crores	40%	5%	3%	43.26%
<b>MAT onForeignCompany</b>									
Upto 1,00,00,000	18.50%	NA	3%	19.05%	Upto 1,00,00,000	18.50%	NA	3%	19.05%
1,00,00,000 To 10 Crores	18.50%	2%	3%	19.436%	1,00,00,000 To 10 Crores	18.50%	2%	3%	19.436%
More than 10 Crores	18.50%	5%	3%	20.01%	More than 10 Crores	18.50%	5%	3%	20.01%
<b>Co-op Society</b>									
Upto 10,000	10%	NA	3%	10.30%	Upto 10,000	10%	NA	3%	10.30%
10,001 to 20,000	20%	NA	3%	20.60%	10,001 to 20,000	20%	NA	3%	20.60%
20,001 to 1,00,00,000	30%	NA	3%	30.90%	20,001 to 1,00,00,000	30%	NA	3%	30.90%
More than 1,00,00,000	30%	12%	3%	34.61%	More than 1,00,00,000	30%	10%	3%	33.99%